

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

University of the District of Columbia

**Independent Auditor's Report on
Internal Control Over Financial Reporting
and on Compliance and Other Matters**

for the Year Ended September 30, 2005



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



June 8, 2006

The Honorable Anthony A. Williams
Mayor
District of Columbia
John A. Wilson Building, Suite 600
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Linda W. Cropp
Chairman
Council of the District of Columbia
John A. Wilson Building, Suite 504
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Williams and Chairman Cropp:

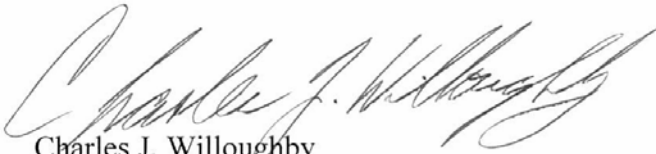
In conjunction with the audit of the University of the District of Columbia's (UDC) financial reporting for the fiscal year ended September 30, 2005, BDO Seidman, LLP submitted the enclosed Report: *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. This report provides information about UDC's compliance with laws and regulations and the adequacy of internal controls, and also recommend actions to improve UDC operations.

BDO Seidman set forth recommendations for correcting the noted reportable conditions. UDC responded favorably to the recommendations contained in the report and, in some cases, corrective action has already been taken to remedy the issue.

Mayor Williams and Chairman Cropp
OIG No. 06-1-20GF
June 8, 2006
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If you have any questions, or need additional information, please contact me, or have a member of your staff contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Charles J. Willoughby
Inspector General

CJW/ws

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
University of the District of Columbia

We have audited the financial statements of the **University of the District of Columbia** (the **University**), a component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2005, and have issued our report thereon dated January 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Appendix A.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

We also noted certain other matters involving internal control over financial reporting that we reported to management in a separate letter dated January 27, 2006. The status of prior year material weaknesses are presented in Appendix B.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees and management of the University, the Mayor of the Government of the District of Columbia, the Council, the Inspector General of the District, District management and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Bethesda, Maryland
January 27, 2006

**Reportable Conditions
in Internal Controls Over Financial Reporting**

I. Preparation of Interim Financial Statements

During 2005, management did not prepare internal financial statements on a monthly basis. Further, a complete financial statement was not provided for our review for audit purposes until January 2006.

This was the result of the fiscal year 2004 audit not being finalized until August 2005. In addition, staffing shortages within the accounting department also contributed to this problem.

The preparation of monthly internal financial statements that are timely, accurate and complete is a responsibility of management. The accounting department's inability to produce a monthly statement or a financial statement for review for audit purposes until well into the audit process indicates that there are significant problems with the financial reporting process. Although governmental reports were used by management throughout the year to analyze revenues and expenses, management cannot make accurate decisions based on the most current financial data without internal financial statements, particularly the balance sheet accounts. It also increases the risk that errors will go undetected.

Recommendation

As a result of this finding we have several recommendations to improve the financial management reporting process.

- 1) We recommend management prepare internal financial statement on a monthly basis. To properly use the statements as a management tool, deadlines for delivery of the statements should be no later than the 20th day of the following month.
- 2) Management should identify all critical areas of financial reporting and ensure that resources are made available to ensure that account reconciliations are being prepared timely on a monthly basis so that the financial accounting records contain the most accurate information possible.
- 3) Management should re-evaluate the staffing needs of the accounting department and evaluate whether all critical areas have sufficient resources assigned. Further, at year end the acting controller was required to do a lot general ledger clean up in addition to having the majority of the review responsibilities. Ideally this position would function in a review capacity to ensure that the information contained in the internal financial statements is accurate, while other individuals are assigned the general ledger clean up on a monthly basis.

Management's Response

- 1) We agree that the preparation of monthly GAAP basis financial statements is ideal but we feel that it would be impractical to achieve with respect to expenditures. During the fiscal year, the Districts' books are kept on the budget/obligation basis where purchase orders are recorded as expenditures. At year end, significant resources are devoted to accruing the cost of goods and services received and analyzing and canceling unused

- purchase orders so that the year end financial statements only reflect GAAP based expenditures. It would not be practical to perform this exercise at every month or even quarter end.
- 2) We agree that timely reconciliations should be accomplished for all significant balance sheet accounts, especially in the area of tuition revenue/receivables and cash and investments.
 - 3) The Controller's department has two vacancies at the manager level and the controller position is currently being filled on an acting basis. After the conclusion of the audit, we intend to fill all vacant positions and positions currently filled on an interim basis.

II. Reconciliation between Tuition Databases and SOAR

The University operates two separate, non-integrated databases for tuition revenues. The SIS+ system accounts for student registration at the main campus and the SONIS system accounts for student registration at the law school.

As a result of using two separate systems and the limitations between the two, there is not a one-to-one relationship between student accounts in the separate databases and the general ledger. As a result the information is entered into the SOAR system in summarized form through journal entries. This requires University staff to perform reconciliations between the systems to ensure that the revenue is accurately reflected in the general ledger.

It was noted that these monthly reconciliations between tuition revenue in the general ledger (SOAR) and SIS+ and SONIS were not done during fiscal year 2005.

In the absence of a fully integrated system of accounting for tuition payments that is designed for public institutions of higher education, adequate compensating controls are crucial to ensuring that tuition revenue is accounted for correctly. At a minimum, monthly tuition revenue reconciliations between SOAR and the SONIS and SIS+ systems should be prepared timely and reviewed by management.

The lack of monthly reconciliations could result in audit adjustments to reconcile the differences between the student information subsidiary systems and the general ledger. In addition, without the performance of periodic account reconciliations, information provided to management may not be accurate, thereby affecting management decisions. Furthermore, the probability that additional errors could occur and go undetected for a long time is greatly increased.

Recommendation

We recommend that on a monthly basis, tuition revenue be reconciled between the SIS+ and SONIS databases and the general ledger and reviewed by the Chief Financial Officer to ensure accuracy and completeness and to verify that reconciled items have been properly handled.

Further, it has been brought to our attention that the University is currently investigating alternative databases to account for tuition revenue transactions and that management is not currently aware whether the system can be fully integrated with SOAR. We strongly encourage management to continue its pursuit of an alternate database to the SONIS and SIS+ systems. Further, before any commitment is made, management should ensure that the system is designed for public institutions of higher education and can be fully integrated with the SOAR system.

Management Response

We concur that the transactions recorded in SIS+ and SONIS be reconciled to the general ledger on a monthly basis. This could not be done during much of FY2005 since the staff was involved in resolving the tuition revenue accounting errors discovered in the FY2003 and FY2002 financial statements and ensuring that the tuition revenue and receivables were correctly reflected in the FY2004 financial statements.

As noted in the recommendation, the University intends to install the next generation of the SIS+ system (known as Banner) during FY2006-07. During this effort, the existing SIS+ (used by the main school) and SONIS (used by the law school) data bases will be merged under Banner. During installation, we will engage OCFO IT staff familiar with the operation of SOAR to ensure that as much integration as possible between the two systems is attained.

Appendix B**Status of Prior Year Reportable Conditions**

Nature of Comment	Type of Comment in FY 2004	Current Year Status
Lack of Adequate Compensating Controls in Absence of Fully Integrated Accounting System	Material Weakness	Reportable Condition
Failure to Accurately Accrue for Costs of Goods and Services Incurred	Material Weakness	Corrected in Current Year
Internally Prepared Draft Financial Statements Submitted to Auditors Contained Numerous Errors	Material Weakness	Corrected in Current Year